

**MINUTES  
REGULAR MEETING  
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, September 19, 2008  
1:00 p.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Michael Townsend, Chair of the ASRS Board, called the meeting to order at 1:10 p.m., MST.

The meeting was not teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Michael Townsend, Chair  
Mr. Dave Byers, Vice-chair  
Mr. Tom Connelly  
Mr. Jaime Gutierrez  
Mr. Chris Harris  
Mr. Jim McLaughlin  
Dr. Keith Meredith  
Mr. Larry Trachtenberg  
Mr. Steve Zeman

A quorum was present for the purpose of conducting business.

**2. Approval of the Minutes of the August 15, 2008 Regular Session of the ASRS Board**

**Motion:** Mr. Steve Zeman moved to approve the minutes of the August 15, 2008, Regular Session of the ASRS Board.

Mr. Chris Harris seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

**3. Presentation, Discussion and Appropriate Action Regarding Member Appeal: Request for Review for Ms. Jessica C. Moroz**

Mr. Tom McClory, Assistant Attorney General, addressed the Board by giving a summary of Ms. Moroz's request for review.

Ms. Moroz addressed the Board regarding her request for review; highlighting areas of concern and providing information that she states proves her disability status.

**Motion:** Mr. Dave Byers moved to grant Ms. Moroz's request for review and grant a rehearing before the ASRS Board;

*And;*

Request that Ms. Moroz participate in another Independent Medical Examination.

Mr. Chris Harris seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

#### **4. Presentation and Discussion Regarding the Current and Future ASRS Strategic Plan**

Mr. Michael Townsend stated that agenda number four would be addressed later in the meeting. This agenda item was discussed after agenda item number six.

Mr. Paul Matson addressed the Board regarding the current and future ASRS Strategic Plan. Mr. Matson stated that in March, 2009, staff will present the Strategic Plan performance for 2008 as well as provide an assessment of the plan's overall success. Staff will also be working toward creating a new three-year strategic plan by updating and refining the current plan. Mr. Matson encouraged Trustees to provide input toward this process. In May, 2009 staff will present the next three-year Strategic Plan to the Board.

#### **5. Presentation and Discussion Regarding Updated Pro-Forma Actuarial Analyses for the Defined Benefit Plan, Health Insurance Plan and Long Term Disability Plan**

Mr. Paul Matson addressed the Board regarding updated pro-forma actuarial analyses for the Defined Benefit Plan, Health Insurance Plan and the Long Term Disability Plan. Mr. Matson explained that the presentation provides 30-year open group and closed group forecasts using a deterministic model (a fixed set of assumptions that always yield the same result). The overall intent of this exercise is to ensure that appropriate and prudent planning and strategic thinking continue to occur that will ensure the longevity and fiscal integrity of the pension plan so it will continue to be a valuable tool in the recruitment and retention of public employees.

The open group forecast differs from the actuarial valuation (which uses a closed group) primarily because it includes projected growth in active membership as part of its projection. There are four primary data outputs contained on each page: Contribution Rate, Normal Cost, Actuarial Value Funded Status, and Market Value Funded Status.

#### **6. Presentation and Discussion Regarding Defined Benefit Plan, Long Term Disability Plan and Health Insurance Plan Features**

Mr. Pat Klein, Assistant Director, External Affairs, addressed the Board regarding the Defined Benefit Plan, the Long Term Disability Plan and the Health Insurance Plan features. Mr. Klein provided historical information about each plan to facilitate discussion regarding the future prospects and direction of each. Mr. Klein provided information regarding historical contribution rates, member statements, costs associated with the LTD plan, LTD claims, and comparisons of insurance premiums.

#### **7. Presentation and Discussion Regarding the Implications of Emerging Energy Trends and Global Environmental Issues**

Mr. John Hill, Vice-chair and Managing Director at First Reserve Corporation (an ASRS Private Equity Manager currently under ASRS due diligence), addressed the Board regarding emerging energy trends and global environmental issues. Mr. Hill's presentation consisted of an overview

of trends regarding oil, gas and coal, renewable power and the implications of current and future trends.

**8. Presentation and Discussion Regarding Strategic and Tactical Investment Opportunities and Other Secular Investment Trends**

Mr. Tom Bachner, Senior Client Advisor, Bridgewater Associates and Mr. Paul Podolsky, Portfolio Strategist, Bridgewater Associates, addressed the Board regarding strategic and tactical investment opportunities and other secular investment trends. Mr. Bachner and Mr. Podolsky discussed current market conditions and answered questions about portfolio structure.

Mr. Terry Dennison, Worldwide Partner, Mercer, also addressed the Board regarding investment industry trends. Mr. Dennison also focused on current market conditions during his presentation.

**9. Presentation and Discussion Regarding an ASRS Team (Staff and Trustee) Conducting On-Site Comparative and Best Practice Pension Reviews**

Mr. Paul Matson addressed the Board regarding an ASRS team (staff and Trustee) conducting on-site comparative and best practice pension or endowment reviews. Mr. Matson asked the Trustees for their feedback regarding visiting other pension or endowment funds and the topics that may be useful to address during such visits. Trustees were requested to provide feedback to Paul regarding their interest in this item.

**10. Call to the Public**

There were no requests to speak.

**11. The next ASRS Regular Board meeting is scheduled for Friday, October 17, 2008, at 8:30 a.m., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

**12. Adjournment of the ASRS Board**

Mr. Byers adjourned the September 19, 2008 Board meeting at 6:27 p.m.

ARIZONA STATE RETIREMENT SYSTEM

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Anne Schrode, Secretary

Date

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Paul Matson, Director

Date